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SUBJECT: RUSSIA-EU SUMMIT GIVES GREEN LIGHT TO NEW PCA

REF: MOSCOW

Classified By: Acting Pol M/C Bob Patterson. Reasons 1.4 (b) and (d).

¶1. (C) Summary. The principal outcome of the Russia-EU Summit held June 26-27 in the Siberian town of Khanty-Mansiysk was, as expected, the approval to start negotiations on a new Partnership and Cooperation Agreement (PCA)(to begin July 4 in Brussels). MFA and European diplomats confirmed that the two sides remained divided on the form such an agreement should take, with Russia preferring a short framework agreement containing basic principles, mechanisms and goals, with sectoral agreements negotiated separately, and the EU wanting a comprehensive, detailed agreement covering all issues. The leaders also discussed foreign policy issues such as Iran, Georgia and the other frozen conflicts, Middle East, Kosovo, as well as Medvedev's proposal for a new European Security Treaty and summit (septel). Medvedev did most of the talking and appeared conversant with the issues in his brief, according to European diplomats. Experts believe the negotiations will be long and difficult, with energy being the principal subject, but stress that a new PCA is very important for Russia. End summary.

View from the MFA  
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¶2. (C) At an MFA briefing on the Summit July 2, the outgoing and incoming heads of the EU unit in the European Cooperation Department, Dmitriy Polyanskiy and Petr Plikhin respectively, described the summit as successful and cordial, and a good opportunity for the EU troika to become acquainted with the new Russian President. Polyanskiy reiterated that Russia preferred a new PCA that would be short and identify the basic principles - what the two sides wanted to achieve, how to interact with each other, and mechanisms to accomplish their goals. As Medvedev had suggested, Russia envisioned the first chapter containing principles of cooperation in the international arena. Next, it could address issues within the four common spaces and Polyanskiy highlighted trade, transport, energy, and people-to-people issues, such as visas. Each Russian ministry wanted its areas included, Polyanskiy said, so he expected that each of the 14 sectoral dialogues currently under way would be addressed in the document. Nonetheless, the GOR was concerned that if the document contained all of the details of all of the areas of cooperation, it would be extremely long, cumbersome, and unreadable.

¶3. (C) Polyanskiy said Russia did not envision any particular timeframe for concluding the PCA. He noted that if Russia were to join the World Trade Organization, he expected that many of the trade agreements would be included in the WTO documents. Russia wanted to formalize some of the

people-to-people and law enforcement issues, such as simplification of the visa regime, illegal immigration, and combatting organized crime. The two sides only briefly mentioned the issue of subsidies under the Common Agricultural Policy during a discussion of world food prices, with Russia commenting that the subsidies could be one factor in the market distortion.

¶4. (C) As was traditional, Russia and the EU discussed the principal foreign policy issues at lunch, focusing on Iran, Georgia, the other frozen conflicts, Middle East and Kosovo, but did not agree on any specific measures. The two sides also discussed Medvedev's proposal for a new European security treaty and summit (septel) with Medvedev contending that Europe lacked a universal security scheme.

¶5. (C) In response to a question of visas for Europeans doing business in Russia, Polyanskiy responded that Russia's law introduced in November, had been based on the desire to have norms and rules similar to those in the EU. The quota system had been intended to restrict the number of workers from the CIS, not targeted at European or American companies. Still, there had been some miscalculations, and the Federal Migration Service was working to fix the problem.

View from the Europeans  
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¶6. (C) European Commission and Embassy officials characterized the summit as cordial and constructive, and a "new page" in EU-Russia relations. The EU appreciated Russia's willingness to engage and listen on many of the outstanding issues. They noted that the two sides had agreed to include a new topic on addressing global economic challenges. They concurred that the major outcome was the agreement on the mandate for a new PCA, and said the two sides had discussed the possibility of doing a framework agreement with separate sectoral agreements but noted that in such a case, the EU would likely consider the PCA to encompass all of the agreements, whereas Russia would prefer to have the framework agreement be the PCA, with the sectoral agreements to follow. All of these details, they said, would be worked out during the course of the negotiations.

¶7. (C) The two sides had also approved a financial cooperation agreement and seven cross-border agreements. Human rights and the rule of law were discussed, and the officials noted that the EU hoped to hold human rights consultations in Moscow. Russia had emphasized that its decision to make a visa-free regime for stateless persons living in Latvia and Estonia was non-negotiable and in response to the "shameful treatment" of Russian-speaking minorities there.

¶8. (C) Regarding trade and WTO issues, the officials said there had been no movement on the issue of export duties on timber. On energy, which was the key issue for the EU, Medvedev had said he was open to discussions on an energy charter, but only on the principles not on the mechanisms of such an arrangement.

¶9. (C) On external issues, the two sides had welcomed the good cooperation on Chad and Central African Republic, and confirmed that Russia would send four helicopters and up to 120 servicemen to EUFOR. They had also discussed putting military cooperation on a more formal basis. There had been a long discussion on Georgia/Abkhazia, as well as Kosovo, Iran and MEPP.

¶10. (C) The EU representatives had expressed a willingness to have a dialogue on the proposal for a new European security treaty and summit, but had noted that any such negotiations would be a long process and they would want to know what kind of values such a concept would be intended to defend.

¶11. (C) On atmospherics, our EU colleagues said, unlike previous summits with Putin in which FM Lavrov had led the discussion on many issues, Medvedev had done most of the

talking and turned to Lavrov only once. Medvedev gave the impression, they said, of being more interested in cooperation with the EU.

#### Experts See Difficult, but Important Negotiations

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¶12. (C) Professor Aleksey Bogaturov of Moscow State Institute for International Relations said Medvedev is interested in a new and comprehensive set of agreements to govern Russia-EU relations, not the status-quo-plus arrangement favored by the MFA and others. Thus, the negotiations will be long and difficult. Energy will be the key issue, and while Russia will agree to work on an EU-wide agreement, it will continue to negotiate bilateral arrangements so as to avoid the "new" EU members trying to "blackmail" or hold up the negotiations.

¶13. (C) Irina Kobrinskaya, Executive Director of IMEMO, told us that a new PCA was very important for Russia because the worst thing for Russia was to be excluded, and the new PCA would give Russia an equal status with Europe. A new PCA would also provide predictability, reliability and clear direction. It would be easier for Russia to conclude a framework agreement than the individual sectoral agreements, because the more a newly assertive Russia tried to split the EU (especially on energy), the more the EU banded together. Still, it would be important for Russia to reach agreement, especially on energy, because Russia needed Europe's new technologies and know-how to develop its energy fields. Furthermore, Russia had the possibility of developing huge new transit routes, including a new rail route from Berlin to China.

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